

Bateman Decl. Ex. 19

Instrument eX Update (Code Name: Dragon): as of 23 May 2017



DRAFT 5 18

Secondary Markets Si

Marketing Updates:

- User needs and company objectives have been defined and will be pre-shopped at corporate and in EU in the coming weeks:

User Needs

- **Economic** Opportunity to decrease I&A cost to a point that will increase dVP volume in key regions
- **Confidence** Increase confidence in remanufactured instruments as compared to non-validated 3rd party re-programmers
- **Operational** Reduce waste disposal overhead

Company Objectives

- **Create capital Advancement (Depends on platform)**
 - **If Si:** Fill capacity on existing Si creating capital needs
 - **If Xi:** Incentivize movement to X/Xi by offering lower per procedure option on latest family of systems
- **Offensive revenue and margin protection:** Create lower pricing option while maintaining acceptable margins
- **Defensive revenue and margin protection:**
 - Displace non-validated 3rd party re-programmers where already present
 - Reclamation removes product from field increase entry barriers for other 3rd party re-programmers
 - Create more robotic volume for cost-conscious accounts and increase barrier for robotic competition to enter in these accounts
- Objectives of EU pilot (ranked):
 1. Test pricing and marketing needs to increase procedure growth with the lower price points of base instruments
 2. Test Dragon customers' ability to effectively reclaim instruments when incentivized with remanufacturing
 - i. Note: these will likely be lower volume accounts and a different reclaimed instrument stream will be needed to get more product for testing broad V&V for remanufacturing

Xi vs Si:

- Si is the right opportunity for pilot but if we have no long term plan for Si, it may confuse the marketplace
- Walking around assumption is pilot on Si.
- Likely Si first for full production and eventually Xi also

Logistics Updates:

- SteriCycle is being investigated as a potential collection supplier
- Plan to follow up with SteriCycle based on flow path
- Reclamation:
 - a. Proposal to execute a US reclamation pilot as well
 - b. Volumes of instruments to be reclaimed will need to be determined
 - 1. Reclaimed instruments will feed V&V sample pool, if sufficient
 - c. US versus EU reclamation
 - 1. EU for procedures and reclamation
 - 2. US for reclamation
 - 3. May not be the same team to support both

Process Updates:

- Continued Investigation on how to program instruments, etc
- Asking for a software patch in order to identify refurbished instruments for data analytics
 - Nice to have
 - This would change the timeline/path if this is included
- Can utilize current lines for pilot however, will need to develop laser marking process
 - Note: Si instruments lines are in MX, Xi in Sunnyvale
- Ongoing IT work around plant codes, RMAs, etc
 - Finance and IT have aligned on a strategy to evaluate

General Updates:

- Charlie Chandra will pick up mid-June on pilot plan for Bob's side
- Kathy will provide help on reclamation side as a PM in Colin's organization
- Program a Manager breakdown:
 - o Charlie: Pilot PM
 - Documentation
 - Manufacturing workflow
 - Regulatory documentation
 - PDP Quality documentation
 - V&V for proof of concept
 - Metrics/finance outcomes
 - o Kathy: Business PM
 - Logistics [EU & US]
 - Traceability
 - Marketing
- Target go live mid-June to meet Q4 initiation of pilot CIP